

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6507

BILL NUMBER: HB 1004

DATE PREPARED: Dec 5, 2001

BILL AMENDED:

SUBJECT: State and Local Fiscal Matters and Appropriations.

FISCAL ANALYST: Alan Gossard

PHONE NUMBER: 233-3546

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation:

Tobacco Funds: This bill requires, beginning July 1, 2003, the transfer of \$90,000,000 from the Tobacco Master Settlement Agreement Fund to the state General Fund during each state fiscal year. The bill deletes the requirement that part of the money deposited in the Tobacco Master Settlement Agreement each year be retained and held for investment.

Transfer of Surplus Lottery Revenue: The bill requires, beginning July 1, 2003, the Lottery Commission to transfer \$100,000,000 of surplus lottery revenue to the state General Fund during each state fiscal year.

Riverboat Admission Tax Increase and Distribution: The bill increases the Riverboat Admissions Tax from \$3 to \$5. It also provides that the additional \$2 must be deposited in the state General Fund. The bill reduces the amount of Admission Tax revenue paid to the Horse Racing Commission by \$10,000,000 each state fiscal year and requires that revenue to be deposited in the state General Fund.

Re-institution of Property Tax Add Back: This bill adds the amount of property taxes deducted from federal income taxes by certain businesses back to the definition of adjusted gross income for purposes of the Adjusted Gross Income Tax and the Financial Institutions Tax during certain taxable years.

Suspension of Homeowner's Property Tax Deduction: The bill suspends the application of the Adjusted Gross Income Tax deduction for property taxes assessed on a residence.

Suspension of Business Personal Property Tax Credit: The bill suspends the application of the Income Tax credit for property taxes on business personal property during certain taxable years.

Cigarette Tax: The bill increases the Cigarette Tax by \$0.50 per pack. It dedicates the revenue from the

increased rate to the state General Fund. The bill reduces the distributor's discount for purchasing Cigarette Tax stamps by an amount proportionate to the increase in the tax rate. It also permits distributors to use revenue stamps paid for before July 1, 2003, if the full amount of tax is paid. The bill also increases the Tobacco Products Tax from 15% to 25%.

Fee Changes: The bill establishes, increases, or authorizes the establishment of certain fees to be collected by the Department of Local Government Finance, the Department of Environmental Management (IDEM), the Air Pollution Control Board, the Water Pollution Control Board, the Solid Waste Management Board, and the State Police Department.

School Funding: This bill allows a school corporation during school year 2003 to transfer an amount equal to its 2002 assessed valuation multiplied by the lesser of (1) 3.28 cents; or (2) one-half its capital project fund tax rate from its capital projects fund to its general fund. The bill reduces the calendar year cap for 2002 and 2003 by \$57,700,000.

Medicaid Program: The bill directs the Office of Medicaid Policy and Planning (OMPP) to implement measures to reduce state General Fund Medicaid expenditures by \$250,000,000 for the 2001-2003 biennium.

Changes to State Budget: The bill directs the State Budget Agency to develop a plan for the reduction of certain appropriations. It makes the following changes in the 2001 budget: (1) transfers money from the Tobacco Master Settlement Agreement Fund to the state General Fund; (2) reduces the FY 2002 and FY 2003 appropriations for a cost of living adjustment for retired members of the Teachers' Retirement Fund; (3) reduces the total appropriation made from the state General Fund for construction projects for the biennium and authorizes the Budget Agency, after review by the Budget Committee, to identify the cuts to be made from the projects; and (4) reduces total biennial appropriations made to state universities for general repair and rehabilitation.

Income Tax Credit: The bill also delays by one year the effective date of the Income Tax credit for property taxes paid on business personal property.

Effective Date: Upon passage; January 1, 2002 (retroactive); July 1, 2002; August 1, 2002; January 1, 2003; July 1, 2003.

Explanation of State Expenditures: *Summary:* This bill contains several provisions which result in a positive impact on the state General Fund estimated to be \$353.1 M in FY 2002, \$1,168.9 M in FY 2003, and \$909.4 M in FY 2004.

This is composed of estimated expenditure reductions totaling \$303.1 M in FY 2002, \$402.6 M in FY 2003. Estimated revenue increases total \$50.0 M in FY 2002, \$766.3 M in FY 2003, and \$909.4 M in FY 2004. The fiscal impact of each provision is summarized in the table; additional details of the bill follow the table.

Expenditure and Revenue Impacts to the State General Fund				
Provision	FY02	FY03	FY04	Affected Fund or Agency
State Expenditures:				
School Funding	--	(\$115.4 M)	--	School Corporations
Medicaid Spending	(\$125.0 M)	(125.0 M)	--	Family & Social Services Admin.
TRF Appropriations *	--	--	--	
Constr'n, Repair, Rehab Approp'ns	(16.0 M)	(16.0 M)	--	Non-Higher Ed Projects
Constr'n, Repair, Rehab Approp'ns	(8.1 M)	(8.2 M)	--	Higher Ed Projects
Higher Ed Operating Expenses	--	(29.0 M)	--	Institutions of Higher Ed
Permanent Reduction in Approp'ns **	--	(109.0 M)	--	Various Unspecified Agencies
PTRC Distributions	(154.0 M)	--	--	Local Taxing Units
Total Change in Expenditures	(\$303.1 M)	(\$402.6 M)	--	
State Revenues:				
Riverboat Admission Tax Dist'n	--	\$10.0 M	\$10.0 M	IN Horse Racing Commission
Riverboat Admission Tax Increase	--	83.3 M	85.0 M	Department of State Revenue
Transfer of Surplus Lottery Rev.	--	95.0 M	95.0 M	State & Local Capital Projects Acct.
Tobacco Funds	--	--	90.0 M	Tobacco Settlement revenues
Tobacco Funds	50.0 M	90.0 M	--	Investment Trust Portion of Tobacco Master Settlement Agreement Fund
Personal Property Tax Credit Delay	--	--	\$96.0 M	Department of State Revenue
Homeowner's Property Tax Deduct'n	--	56.0 M	67.0 M	Department of State Revenue
Property Tax Add Back	--	91.7 M	96.2 M	Department of State Revenue
Cigarette Taxes ***	--	337.2 M	370.2 M	Department of State Revenue
Property Tax Appeal Filing Fee	--	3.0 M	--	State Tax Board (DLGF)
Property Tax Representative Lic. Fee	--	0.04 M	--	State Tax Board (DLGF)
Continuing Education Fees	--	0.02 M	--	State Tax Board (DLGF)
IDEM and State Police Fees ****	--	--	--	Dept. of Environmental Management
Total Change in Revenues	\$50.0 M	\$766.3 M	\$909.4 M	
<p>* The bill reduces appropriations from the state General Fund for FY 2002 by \$16.3 M and \$14.9 M for FY 2003. The remaining appropriations are still at or above projected expenditures resulting in no reduction in anticipated expenditures. The reduced appropriations would only have a fiscal impact if actual expenditures were greater than projections.</p> <p>** The required reductions in appropriations are not specified in the bill. Consequently, the extent to which the reductions in appropriations result in expenditure reductions and how much results in reversions is not known.</p> <p>*** This estimate is for informational purposes and reflects the intended language of the bill.</p> <p>**** IDEM fee increases are deposited into dedicated funds and are not summarized in this table. The bill provides that the State Police may increase fees by rule and, thus, would depend upon administrative action.</p>				

Homeowner's Property Tax Deduction/Property Tax Add back: The Department of State Revenue (DOR) will incur some administrative expenses related to the revision of tax forms, instructions, and computer programs due to the temporary suspension of the homeowner's property tax deduction and temporary re-institution of the property tax add back. These expenses presumably can be absorbed given the DOR's existing budget and resources.

School Funding: The bill reduces the tuition support local schools receive from the state for the last six months of CY 2002 and the first six months of CY 2003. The amount of the reduction each year is the CY 2002 assessed valuation divided by 100 times the lesser of \$.0328 or ½ of the CY 2002 capital projects fund rate. The reduction would be about \$57.7 M per six-month period, or \$115.4 M for FY 2003.

Medicaid Program: The bill directs the Office of Medicaid Policy and Planning (OMPP) to implement measures to reduce General Fund expenditures by \$250 M during the biennium. The bill specifies that program savings may include, but are not limited to, reductions in expenditures for long term care, pharmacy, acute care, and managed care. Total General Fund appropriations for Medicaid are \$2,419,751,412 for the biennium. (This includes amounts for OMPP administration, current obligations, Medicaid administration, and disability eligibility exams.) Assuming that a \$250 M reduction in expenditures is realized, the reduction would represent a 10.3% reduction from appropriation levels for the Medicaid program. A \$250 M reduction in the state share of Medicaid expenditures represents a reduction in total Medicaid expenditures, state and federal, of about \$658 M.

Teachers' Retirement Fund (TRF) Changes: The bill reduces the appropriation from the state General Fund for FY 2002 for TRF postretirement pension increases from \$50.3 M to \$34.0 M, a \$16.3 M reduction. For FY 2003, the appropriation is reduced from \$47.9 M to \$33.0 M, a reduction of \$14.9 M. The total reduction in appropriations amounts to \$31.2 M for the biennium. The TRF had previously estimated that the payouts for the postretirement increases would amount to \$34.0 M in FY 2002 and \$33.0 M in FY 2003. If the projections are accurate, the reduced appropriations would not affect TRF payouts. There are approximately 30,000 recipients of postretirement increases.

Appropriations for Construction and Repair and Rehabilitation Projects: This bill would also reduce the General Fund appropriation for construction, rehabilitation, and repair by a total of \$48,333,091 for the biennium. The bill directs the State Budget Agency to identify \$32 M in spending reductions for projects listed in the budget bill other than Higher Education General Repair and Rehabilitation line items. The Higher Education General Repair and Rehabilitation line items are reduced by 25% for the biennium for a total reduction of \$16,333,091.

Operating Expenses for Higher Education: The bill also requires the State Budget Agency to develop and submit a plan for the permanent reduction in FY 2003 appropriations for operating expenses for higher education by \$29 M. This plan must not include reductions of operating appropriations for the State Student Assistance Commission.

Unspecified Appropriations Reduction: The bill also requires the State Budget Agency to develop and submit a plan for the permanent reduction in FY 2003 appropriations by \$109 M. This plan must not include reductions in operating appropriations for elementary and secondary education or higher education. Since the nature of the reductions is unspecified, the extent to which the reduction in appropriations results in reduced expenditures is unknown.

PTRC Distributions: The state currently makes six Property Tax Replacement Credit distributions to county treasurers each calendar year from the Property Tax Replacement Fund (PTRF). Under HEA 1001 (2001), the May 2001 distribution was delayed until July 2001. After 2001, the original payment schedule is to be resumed. This means that the last FY 2001 payment was delayed until FY 2002 thereby creating five payments in FY 2001 and seven payments in FY 2002. This bill would require that the alternative schedule is to be used each year. The continued delay of the May payment until July would reduce the number of payments in FY 2002 from seven to six and reduce state expenditures from the PTRF by about \$154 M in FY 2002.

Explanation of State Revenues: *Riverboat Admission Tax Distribution:* The bill reduces by \$10 M annually the share of the current \$3 Riverboat Admission Tax distributed to the Indiana Horse Racing Commission and distributes that amount to the state General Fund. This change is effective beginning in FY 2003. Thus, the bill is expected to increase revenue to the state General Fund by \$10 M annually beginning in FY 2003. The bill will also reduce Admission Tax revenue to the Commission by \$10.0 M annually beginning in FY 2003. Depending upon admissions estimates, the Commission is still expected to receive approximately \$16.7 M to \$17.5 M in FY 2003 and \$17.0 M to \$18.3 M in FY 2004 from the Admission Tax.

Under current statute, a \$3 Admission Tax is imposed on the owner of each riverboat casino in Indiana. The tax must be paid for each person admitted to a riverboat gaming excursion, whether paid or unpaid. Current law requires that \$0.65 of the Admission Tax charged on each person admitted to a riverboat gaming excursion be distributed to the Indiana Horse Racing Commission. This money is to be used for the promotion and operation of horse racing in Indiana. In FY 2001, this distribution totaled approximately \$25.4 M. Under the bill, the first \$10 M of this \$0.65 portion of the Admission Tax collected each year would be distributed to the state General Fund. The remaining revenue from this portion of the Admission Tax would then be distributed to the Commission. During the 12-month period November 2000 to October 2001, however, admissions to the riverboats totaled approximately 40.4 M. Assuming a growth rate ranging from 1.1% to 3% annually, admissions to the riverboats are estimated to total approximately 41.1 M to 42.2 M in FY 2003 and 41.5 M to 43.5 M in FY 2004. These growth rates are based on recent trends in admissions relative to casino space and in overall riverboat admissions.

Riverboat Admission Tax Increase: The bill increases the Riverboat Admission Tax from \$3 to \$5 effective July 1, 2002. The bill requires that revenue from the additional \$2 Admission Tax be distributed to the state General Fund. The additional \$2 Admission Tax is estimated to produce approximately \$82.1 to \$84.5 M in FY 2003 and \$83.0 M to \$87.0 M in FY 2004.

Under current statute, a \$3 Admission Tax is imposed on the owner of each riverboat casino in Indiana. The tax must be paid for each person admitted to a riverboat gaming excursion, whether paid or unpaid. Approximately 39.5 M riverboat admissions resulted in just over \$118.6 M in revenue from the current \$3 Admission Tax during FY 2001. During the 12-month period November 2000 to October 2001, however, admissions to the riverboats totaled approximately 40.4 M. Assuming a growth rate ranging from 1.1% to 3% annually, admissions to the riverboats are estimated to total approximately 41.1 M to 42.2 M in FY 2003 and 41.5 M to 43.5 M in FY 2004. These growth rates are based on recent trends in admissions relative to casino space and in overall riverboat admissions.

Transfer of Surplus Lottery Revenue: The bill requires an annual transfer of \$100 M in surplus Lottery revenue to the state General Fund beginning in FY 2003. Based on the current forecast for surplus Lottery revenue, only \$95 M is expected to be available for transfer to the state General Fund in FY 2003 and FY 2004. This transfer also would reduce funds available to the State and Local Capital Projects Account by \$95

M in FY 2003 and FY 2004. [Note: Sufficient revenue would, however, be available for a \$100 M transfer if the transfer were made from the Lottery and Gaming Surplus Account after the required transfer for Motor Vehicle Excise Tax Replacement.]

Under current statute, surplus Lottery revenue (money remaining in the Administrative Trust Fund after payment of prizes and operating expenses of the lottery) is first transferred to the Teachers' Retirement Fund (TRF) and the Pension Relief Fund (PRF). Each of these transfers must total \$30 M per year. Once these transfers are made, surplus Lottery revenue is then distributed to the Lottery and Gaming Surplus Account (LGSA) within the Build Indiana Fund. The balance in the Build Indiana Fund as of June 30, 2001, was \$347.3 M.

The bill requires that an annual transfer of \$100 M in surplus Lottery revenue be made to the state General Fund after the TRF and PRF transfers have been made. The current State Budget Agency forecast for surplus Lottery revenue in FY 2003 is \$155 M. As a result, the transfer to the state General Fund is expected to total only \$95 M in FY 2003. Assuming surplus Lottery revenue does not grow, the transfer to the state General Fund would again only be \$95 M in FY 2004. The table below shows the transfers (actual and projected) of surplus Lottery revenue under current law in FY 2001 and FY 2002, and under the bill in FY 2003 and FY 2004.

Surplus Lottery and Gaming Revenue & Distributions (Millions)*

Revenues & Distributions	FY 2001 (Actual)	FY 2002 (Projected)	FY 2003 (Projected)	FY 2004 (Projected)
Surplus Lottery Revenue	\$160.0	\$155.0	\$155.0	\$155.0
TRF Transfer	(\$30.0)	(\$30.0)	(\$30.0)	(\$30.0)
PRF Transfer	(\$30.0)	(\$30.0)	(\$30.0)	(\$30.0)
State General Fund Transfer	(\$0)	(\$0)	(\$95.0)	(\$95.0)
Surplus Lottery Revenue to the LGSA	\$100.0	\$95.0	\$0	\$0
Surplus Gaming Revenue to the LGSA	\$268.2	\$285.2	\$285.2	\$285.2
Interest	\$26.9	\$25.0	\$25.0	\$25.0
Total Revenue to LGSA	\$395.1	\$405.2	\$310.2	\$310.2
MVETRA Transfer	(\$234.7)	(\$236.2)	(\$236.2)	(\$236.2)
SLCPA Transfer	(\$160.4)	(\$169.0)	(\$74.0)	(\$74.0)

*Updated as of 10/25/01.

The transfer to the state General Fund also will reduce the total amount distributed to the LGSA, and ultimately to the State and Local Capital Projects Account (SLCPA) by \$95 M in FY 2003 and FY 2004. In addition to surplus Lottery revenue, the LGSA receives surplus gaming revenues (revenues from the Riverboat Wagering Tax, the Parimutuel Wagering Tax, and the Charity Gaming Excise Tax). A statutorily determined amount of revenue in the LGSA is transferred each year to the Motor Vehicle Excise Tax Replacement Account (MVETRA) within the state General Fund. (Beginning with FY 2002 and continuing each year thereafter, this amount is equal to approximately \$236.2 M.) The remaining money in the LGSA

is then transferred to the SLCPA. Under current law, the transfer to the SLCPA is estimated to total \$169.0 M in FY 2003 and FY 2004. This is based on the current State Budget Agency forecast for surplus Lottery and gaming revenue and for LGSA interest earnings. This also assumes that these sources will not grow in FY 2004. As presented in the table above, the transfer to the SLCPA is expected to decrease to \$74.0 M in both years as a result of the bill.

Tobacco Funds: This bill eliminates the requirement that a portion of the tobacco settlement funds received each year be retained for investment. Beginning July 1, 2003, the bill would require that the first \$90 M received in payments be transferred to a special health care account within the General Fund during each state fiscal year.

The bill also requires the transfer of \$50 M from the investment trust portion of the Tobacco Master Settlement Agreement Fund to a special health care account within the State General Fund. This transfer is required to occur before May 1, 2002. The investment trust portion of the Tobacco Master Settlement Agreement Fund had \$123.9 M in distributions from the tobacco companies and \$9.6 M in interest earnings as of the end of FY 2001. The tobacco companies will contribute an estimated additional \$59.7 M by May of 2002. The required transfer will leave an estimated \$133.6 M plus interest earnings remaining in the investment portion of the Fund.

The bill also requires a second transfer of \$90 M from the investment trust portion of the Tobacco Master Settlement Agreement Fund to a special health care account within the State General Fund. This transfer is required to occur during FY 2003. The tobacco companies will contribute an estimated additional \$60.3 M by May of 2003. The required transfer will leave an estimated \$103.9 M plus interest earnings remaining in the investment portion of the Fund at the end of FY 2003.

Personal Property Tax Credit: Under current law, taxpayers will receive an income tax credit equal to the property tax paid on the first \$37,500 of business personal property assessed valuation beginning with property tax paid in CY 2003. The estimated loss of revenue from this credit in FY 2004 under current law is \$96 M. This bill would delay the effective date of the credit and make it first available for property tax paid in CY 2005, so revenue collections will not be impacted until FY 2006. State revenue collections would retain \$96 M in FY 2004 and \$98 M in FY 2005 under this provision.

Suspension of Homeowner's Property Tax Deduction: The bill suspends the homeowner's property tax deduction for tax years 2002, 2003, and 2004. The revenue gain from this temporary change could potentially range from \$48.0 M to \$64.0 M in FY 2003, \$57.4 M to \$76.6 M in FY 2004, and \$61.0 M to \$80.9 M in FY 2005.

Under current statute, a taxpayer may deduct property taxes paid during the taxable year in Indiana on his or her principal place of residence. The deduction is limited to the lesser of the property taxes paid or \$2,500. In 1999, about 1.16 M taxpayers claimed this deduction resulting in a revenue loss of approximately \$39.9 M. This was the first year the deduction was in effect. The low range estimates presented above are based on the actual deduction total from 1999. This total is inflated based on recent annual growth rates in residential property taxes equal to 4.95%. The totals for FY 2004 and FY 2005 are also inflated by 13.1% over prior years to reflect the expected impact of reassessment on residential property taxes. These estimates also reflect a 1.3% annual growth rate in the number of taxpayers claiming the deduction. This is equal to long run growth in the number of taxpayers claiming the renter's deduction. The high range estimates reflect the maximum deduction amount that could potentially be claimed by taxpayers. These totals are based on the statewide residential property tax levy and are adjusted to reflect annual growth in the levy and the impact

of reassessment on residential property taxes.

Property Tax Add Back: The bill re-institutes the property tax add back for tax years 2002, 2003, and 2004. The revenue gain from this temporary change could potentially range from \$84.7 M to \$98.7 M in FY 2003, \$88.5 M to \$103.8 M in FY 2004, and \$91.4 M to \$109.3 M in FY 2005.

Prior to tax year 1999, business property taxes deducted for federal tax purposes were added back on Corporate and Individual Income Tax returns. Property taxes deducted by financial institutions for federal tax purposes also were added back on Financial Institutions Tax returns. The low range amounts presented above reflect prior simulation estimates of the property tax add back on Corporate and Financial Institutions returns. The low range also incorporates an estimate of the property tax add back on Individual Income Tax returns based on 1998 and 1999 tax year data. The individual return data is inflated by 4.58% per year to reflect recent annual growth rates in business property taxes. The high range amounts reflect prior estimates based on corporate and financial institutions simulations and individual return data. The high range amounts are currently utilized for purposes of adjusting the Income Tax revenue forecasts.

Cigarette Taxes: [Note: Due to a problem with the language of the bill as currently drafted, the following estimate of additional revenue from cigarette taxes is provided for informational purposes in order to reflect the intent of the bill. The author has agreed to a technical amendment to change the language to reflect the original intent.]

This bill increases the Cigarette Tax on packs of 20 cigarettes by \$0.50, from \$0.155 to \$0.655. Based on data from the November 14, 2001, State Revenue Forecast, the proposed Cigarette Tax rate increase will generate an additional \$367.9 M in FY 2003 and \$370.2 M in FY 2004. Although the effective date of this proposal is July 1, 2002, cigarette taxes at the \$0.655 rate would not be remitted until August 2002. Because of this lag, the full-year estimate of \$367.9 M was adjusted to account for one month of collections at the lower rate, making \$337.2 M the expected impact in FY 2003. The bill adjusts the statutory percentage distribution of cigarette tax revenue so that the increased revenue is distributed to the state General Fund. The distributions to the Cigarette Tax Fund, the Mental Health Centers Fund, and the Pension Relief Fund were adjusted so that these funds retain their current level of funding.

Fee Changes

Property Tax Appeal Filing Fee: Under current law, a taxpayer may appeal an action taken by the county property tax assessment board of appeals to the Indiana Board of Tax Review (Indiana Board). Beginning July 1, 2002, this proposal would require a taxpayer who files an appeal to pay a \$100 filing fee. The fee would be deposited into the state General Fund.

According to the State Tax Board, over 5,000 taxpayer appeals were filed after the 1995 reassessment and a lesser number have been filed each year since. The number of appeals expected to be filed in CY 2002 and CY 2003 as a result of the pending reassessment is unknown because of several factors. The change in assessment methods could lead to a greater number of appeals. However, the closer proximity of assessed value to market value might make the assessments more understandable to the taxpayer, resulting in a reduced number of appeals. Under HEA 1902 (2001), all Lake County appeals are to be filed directly with the Department of Local Government Finance (former State Tax Board) greatly increasing the number of appeals. The existence of a \$100 filing fee could also lead to a reduced number of filings since the potential relief might not be worth the \$100 filing fee.

The State Tax Board estimates that there could be as many as 30,000 taxpayer appeals filed in CY 2003. The filing of 30,000 appeals would generate \$3 M in fees under this provision in FY 2003. The fees generated after the initial year following reassessment would be substantially lower.

Property Tax Representative Licensing Fee: Under current law, the Department of Local Government Finance (DLGF) must adopt rules that govern the practice of tax representatives before the Indiana Board and the DLGF. As part of those rules, this bill would require the DLGF to establish a licensing program for tax representatives. A license applicant or license holder would be required to pay a \$50 annual fee which would be deposited into the state General Fund. The license and the associated fee would not apply to the property owner, full-time employees of the property owner, representatives of local taxing units, CPAs, or attorneys.

According to the State Tax Board, there are currently between 500 and 1,000 tax representatives in the state who would be subject to the license program. The \$50 annual license fee imposed by this provision would generate approximately \$25,000 to \$50,000 annually beginning in FY 2003.

Non-Governmental Employee Continuing Education Fee: Under current law, the DLGF must conduct a minimum of four continuing education sessions each year for the benefit of local assessing officials. This bill would require an individual who is not a local assessing official or their employee or an employee of the DLGF who attends a session to pay a fee. The fee would equal \$50 for a half-day session or \$100 for a full day. According to the State Tax Board, an average of 57 non-government individuals attend each of the four full-day sessions annually. Assuming continued attendance, the fee imposed under this provision would generate about \$23,000 per year from these individuals beginning in FY 2003.

IDEM Fees: This bill allows the Air Pollution Control Board, Water Pollution Control Board, and Solid Waste Management Board to establish annual fees for active water system permits, municipal separate storm sewer system permits, and National Pollutant Discharge Elimination System (NPDES) general permits effective January 1, 2003. Fees for such permits and any delinquency charges for nonpayment are payable to IDEM for deposit in the Environmental Management Permit Operation Fund. The bill increases the annual permit fees for various NPDES permits. It also increases the following solid waste fees: (1) application fees for solid waste permits; (2) annual operation fees; and (3) disposal fees. The bill also increases the following hazardous waste fees: (1) application fees for hazardous waste permits, and (2) annual operation fees.

Estimates of new annual revenue are \$1.1 M for Wastewater; \$0.9 M for Solid Waste; and \$0.5 M for Hazardous Waste. These estimates are based on a 30% increase to the year 2000 fee collections in those programs. The new drinking water fees will generate no more than \$2 M annually. The new stormwater fees will generate no more than \$500,000 annually. (FY 2003 revenue collections would only reflect half of this revenue due to the January 1, 2003, effective date.)

State Police Fees: (A) For supplying copies of accident reports, the State Police Department currently charges \$3 for each report. The bill provides that the Department may, by rule, charge a fee in an amount greater than \$3 for each report. This fee is deposited in the "accident report account." The fee generated about \$108,000 under the current fee structure in FY 2001. (B) Under IC 20-9.1-4-5, the State Police Department is required to inspect all special purpose, and public and private school buses that transport its pupils. The bill authorizes the State Police Department to impose fees for those inspections. In FY 2000, the Department completed 13,947 school bus inspections, 2,121 random or spot inspections, and 647 twelve-year-old or older school bus inspections. In addition, the department made 450 to 500 special purpose bus inspections. This bill authorizes the State Police Department to impose fees for these inspections. (C) Current

statute also provides for the collection of a \$3 fee to defray the cost of processing a request for inspection of a limited criminal history and \$7 to defray the cost of processing a request for release of a limited criminal history. This bill allows the State Police to increase the level of fees by rule. This fee generated about \$1.753 M in FY 2001 under the current fee structure.

The additional revenues from these provisions will depend upon administrative action.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Homeowner's Property Tax Deduction/Property Tax Add back:* The bill suspends the income tax deduction for property taxes paid by homeowners and re-institutes the property tax add back for tax years 2002, 2003, and 2004. Because these temporary changes will increase Indiana taxable income, counties imposing local option income taxes (CAGIT, COIT, and/or CEDIT) may, as a result, experience an indeterminable increase in revenue from these taxes.

School Funding: The bill allows local schools to transfer funds from their capital projects fund to their general fund during the last six months of CY 2002 and the first six months of CY 2003 to offset the reduction in state tuition support revenue. The amount of the transfer each year is the CY 2002 assessed valuation divided by 100 times the lesser of \$.0328 or ½ of the CY 2002 capital projects fund rate. The transfer would be about \$57.7 M per calendar year. Schools may have problems funding their CY 2002 and CY 2003 capital projects fund plans and would have to delay some of the projects in the 3-year capital projects fund plan.

State Agencies Affected: All.

Local Agencies Affected: School corporations; Local taxing units.

Information Sources: Department of State Revenue; Department of Education; State Tax Board (Department of Local Government Finance), State Police, Department of Environmental Management.